Regulating activities of Foreign Institutional Investors

640. SHRI ASHOK MITRA: Will the Minister of FINANCE be pleased to stale:

(a) whether in the light of the recent experience of a number of South-East Asian countries, Government proposes to rciview the existing arrangements for regulating the activities of the foreign institutional investors;

(b) whether the desirability of 'lock-in' periods for protfolio investments will be examined in that context; and

(c) whether any discussions have re-cently taken place with the International Monetary Fund on this issue?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) Activities of Foreign Institutional Investors are regulated by the Securities and Exchange Board of India (SEBI) under Securities and Exchange Board of India (Foreign Institutional Investors) Regulations 1995. No review is proposed at this juncture.

(b) Does not arise.

(c) No Sir.

State of Indian Economy

641. DR. D. VENKATESHWAR RAO: Will the Minister of FINANCE be pleased to state:

(a) the present state of the Indian economy;

(b) the reasons for economy getting sluggish and low growth rates; and

(c) its impact on private sector?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) to (c) Overall economic growth in terms of gross domestic product in real terms has decelerated to 5% in 1997-98 from 7.5% in 1996-97.

The slow economic growth in 1997-98 is the reslult of constraints on supply and demand factors. Supply side factors are associated primarily with the quantity, quality and cost of basic infrastructure sectors. The demand slow-down is attributable to serveral factors including sharp deceleration in exports, substantial uncertainity in domestic and international environment, tightening of money-credit policies to some extent and other cyclical factors.

Dowr.ward Trend in economic growth

642. SHRI VEDPRAKASH P. GOYAL: WH1 the Minister of FINANCE be pleased to state:

(a) whether the country's economic growth has shown downward trend during the last two years;

(b) if so, the reasons therefor; and

(c) keeping in view the economic sanctions being imposed against India by certain world powers in the wake of nuclear tests by India, what steps are being taken to make the economy self reliant?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) Yes.

(b) Overall economic growth in terms of Gross Domestic Product (GDP) in real terms has decelerated to 5 per cent in 1997-98 from 7.5 per cent in 1996-97. The slow economic growth in 1997-98 is the result of constraints on supply and demand factors. Supply side factors are associated primarily with the quantity, quality and cost of basic infrastructure sectors. The demand slow-down is attributable to several factors including sharp deceleration in exports, substantial uncertainity in domestic and international environment, tightening of money-credit policies to some extent and other cyclical factos.

(c) It is too early to assess the short and medium term implications of economic sanctions imposed by some industrialised countries, however, as indicated in the Economic Survey 1997-98, Government desires to continue with policies that ensure macroeconomic

stability, rapid and sustainable economic growth.

Powers of Reserve Bank of India regarding disciplining N.B.F.C's and RNBCs

643. SHRI DEBABRATA BISWAS: Will the .Minister^ of FINANCE be pleased to, state:

(a) whether Government's \ attention has been drawn to the news-item in th"e Times of India dated 21.3.98 wherein the RBI has taken a stand that it is in no position to direct the NBFCs and RNBCs to honour their obligation to the investors and depositors and that the depositors should seek redress elsewhere;

(b) if so, the reaction of Government thereto; and

(c) whether the stance of RBI is in conformity with the amendment to the Reserve Bank of India Act, 1934 carried out in 1997 which conferred substantial powers on the Reserve Bank of India to discipline to NBFCs and RNBCs?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI R. JANARTHANAM): (a) Government's attention has been drawn to the news item under reference.

(b) and (c) While the RBI Act as amended in 1997 gives a wide range of powers to the RBI' which were not available to RBI prior to the amendment, powers under Section 450A(2) of the Act are vested in the Company Law Board. Section 450A(2) of RBI Act provides that where an NBFC has failed to repay any deposit or part thereof in accordance with the terms and conditions of such deposits, the Company Law Board may direct, by order, the NBFC to make repayment of such deposits or part thereof forthwith or within such time and subject to such conditions as may be specified in the order.

As and when complaints of delayed or non-payment of deposits or interest thereon are received from the depositors, they are advised to fde their complaints with the Company Law Board, which is empowered under the Act to deal with such complaints.

Report of Narasimham Committee on Financial Sector Reforms

644. SHRI DEBABRATA BISWAS:
DR. Y. LAKSHMI PRASAD:
PROF. RAM KAPSE:
SHRI RAJ NATH SINGH:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Narasimham Committee on financial sector reforms has already submitted its second report to Government;

(b) if so, the main highlights of its recommendations;

(c) whether the copy of the report would be laid on the Table of the House; and

(d) whether Government would permit a discussion of the report in the next session of Parliament before its major recommendations are put into effect and if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI R. JANARTHANAM): (a) The Committee on Banking Sector Reforms chaired by Shri M. Narasimham has recently submitted its Report to Government.

(b) The Committee's recommendations cover institutional, supervisory, legislative and banking policy aspects. The recommendations relate to capital adequacy, asset quality, non-performing assets, directed credit, prudential norms, disclosure requirements, systems and methods in banks, structural issues, rural & small industrial credit, regulation & supervision, legal and legislative framework.

(c) and (d) Copies of the Report have already been placed in the Parliament Library. These recommendaitons constitute an input into the on-going exercise by Government and the Reserve Bank of India for reform of the banking